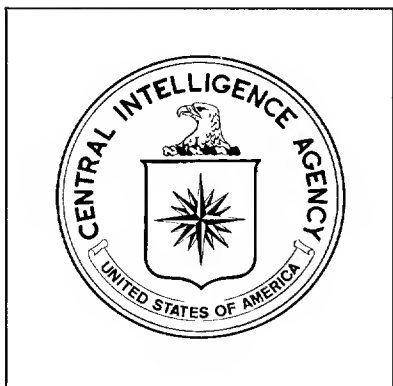


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STAFF NOTES:

Soviet Union Eastern Europe

State Dept. review completed

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SOVIET UNION - EASTERN EUROPE



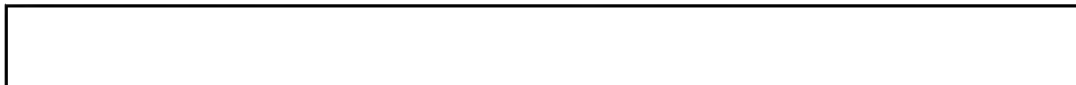
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Soviet Comment On Portugal

The most recent Soviet commentary on Portugal shows a slight increase in rhetorical intensity and expressions of concern, but does not develop any new positions.

Amplifying earlier Soviet criticism of Western interference in Portugal, today's *Pravda* notes that the Soviet people "watch with alarm" Western machinations in the country. Western companies and economic organizations are now accused of mounting a virtual economic boycott against Portugal. The CIA is again dragged in and Peking is attacked more forcefully. Whereas previously the Chinese were accused of interfering in Angola and the Azores, the latest Soviet article asserts that they are also putting pressure on the Portuguese Communists.

The Soviets still seem concerned primarily with rebutting Western charges that they are interfering in Portugal, rather than laying a foundation for deeper involvement. *Pravda* again cites the European Security Conference, rhetorically questioning whether alleged Western actions in Portugal are compatible with CSCE principles, but reiterates the view that Portugal's fate should be decided by the Portuguese themselves.

The Soviets again draw a parallel between the present situation in Portugal and conditions in Chile before the overthrow of Allende, but strike a somewhat more defiant note. In a broadcast yesterday a Soviet commentator asserted that "Portugal must not be another Chile." Calling again for unity of "progressive" forces, he added a new wrinkle by warning Portuguese Socialist leader Soares that the Socialists will not be spared if "reaction" triumphs.

While the Soviets seemed somewhat more belligerent in the context of Chile, they may have balanced

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this by showing relative moderation on another subject. In reporting the alliance that the Portuguese Communists have formed with seven leftist groups, they described it as "set up to organize a joint rebuff to reaction" and have not yet repeated Cunhal's statement that the new front would carry out "offensive action" against groups to its political right.

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Yugoslavia: Setting the Stage
for Controversy at Lima

Yugoslav Foreign Minister Milos Minic opened the debate at the Lima meeting of nonaligned foreign ministers on Tuesday by taking controversial positions that included rejection of Arab proposals to expel or exclude Israel from the UN.

Minic argued against the Syrian resolution on Israel by asserting that the UN charter should be observed in seeking any sanctions against Israel. He made it plain, however, that Belgrade believes Tel Aviv is illegally occupying Arab land and is thereby continuing the Middle East crisis. Minic recommended the Geneva conference as a useful means of accelerating a "comprehensive solution" to the situation. He also repeated Yugoslav interest in forming a nonaligned group to maintain pressure on Israel.

In other sensitive areas, Minic chided the oil-producing countries for failing to "allocate part of their financial resources" for Third World development projects and called for the creation of a system of mutual assistance for Third World countries who face a threat to their security. He also made a bid for prestige among the growing Latin American contingent by calling on Washington to quit its military bases in the Caribbean and Latin America and to leave the Panama Canal to Panama.

Minic said the nonaligned should unite behind a Yugoslav proposal for a world disarmament conference or, failing that, support a special session of the UN General Assembly on the theme of disarmament.

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Poland: Consumer Price Increases

Warsaw has announced price increases of from 17 to 70 percent on cigarettes, apparently to ease the burden of paying higher prices to producers of tobacco and basic foodstuffs. The higher cigarette prices will cover two thirds of the cost of the higher procurement prices on tobacco, hogs, and milk. The government boosted prices paid to farmers for these products early this month in an effort to stimulate domestic production and to halt a shift to more profitable types of farming.

Retail prices for pork and milk were not raised because of party leader Gierek's freeze on basic food prices. The US embassy in Warsaw believes that the government may continue this freeze in 1976. The government apparently continues to feel that raising basic food prices would be politically dangerous. The regime will likely raise prices of less essential consumer goods, however, to meet mounting food subsidies and to reduce excess purchasing power.

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